

COMMISSIONERS
BOB STUMP - Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH



ARIZONA CORPORATION
COMMISSION

February 13, 2014

Re: Energy Efficiency & Integrated Resource Planning
Docket No: ~~RE-00000C-09-0427~~ & E-00000XX-13-0214

Arizona Corporation Commission
DOCKETED

FEB 13 2014

To the Parties in the Dockets:

ORIGINAL



Almost one year ago I wrote a letter (see attached) asking that we re-evaluate Energy Efficiency, both from the perspective of the cost effectiveness of the various programs as well as looking at the rules to see if they are working as we intended them to, and if they are reasonable and achievable as written.

I have scheduled three workshops to allow interested parties to discuss and provide input to the Commission on the various topics that are outlined in the Workshop Topics listed below. I look forward to hearing from all interested parties as we strive to ensure that Arizona has an Energy Efficiency policy that makes sense to all, ratepayers, program participants, and the utilities.

ALL WORKSHOPS WILL BE HELD IN HEARING ROOM #1 AT 9:00 A.M.

The three workshops are scheduled as follows:

Workshop #1 Cost-Effectiveness – March 18, 2014

Includes discussion of:

- 1.) Pros and cons of the five cost-effectiveness tests (Societal Test, Total Resource Cost Test, Utility/Administrator Cost Test, Ratepayer Impact Measure, and Participant Test).
- 2.) Test inputs (including avoided costs, free riders/free drivers, and allocation of program costs).
- 3.) Re-evaluation of cost-effectiveness (including frequency, monitoring and evaluation).
- 4.) Preparation of a list of pre-approved cost-effective programs.

Workshop #2 Cost Recovery – March 31, 2014

Includes discussion of:

- 1.) EE cost recovery mechanisms (including base rate recovery of expenses, surcharge based on anticipated spending, surcharge to recover deferred costs, and treating EE as a resource).
- 2.) Methods for utility recovery of authorized non-EE fixed costs (including revenue decoupling, straight fixed variable rates, lost revenue adjustment mechanism, and cost shifting).
- 3.) Utility incentives (including performance incentives and rate of return incentives).

Workshop #3 EE Standards and EE/IRP Rulemaking – April 17, 2014

Includes discussion of:

- 1.) Modification or suspension of EE standards.
- 2.) Incorporation of EE into IRP.
- 3.) Any proposed changes to EE and/or IRP rules.

Sincerely,

Commissioner Gary Pierce

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**ARIZONA CORPORATION
COMMISSION**

February 26, 2013

Re: Energy Efficiency Rules
Docket No: RE-00000C-09-0427

Dear Chairman Stump:

The Energy Efficiency Rules have been in effect for two years. In Decision #71819, August 2010, the Commission stated that energy efficiency, a type of demand-side management (DSM), is "cost-effective" because it is "less expensive than generating electricity and provides less impact on the environment." I still believe that energy efficiency is a worthy resource, if it is done the right way. However, we must approve programs that are prudent and have measurable costs and benefits. With the benefit of two years' experience, I now believe that energy efficiency, in practice, has not become the energy efficiency that we contemplated in theory. Therefore, we must re-examine the rules.

It is apparent that the 22% standard for electric companies and the 6% standard for gas companies are arbitrary, unachievable goals. Many utilities have had difficulty meeting the yearly standard targets despite the infancy of the energy efficiency standard.

In addition, commissioners have questioned the efficacy of many of the energy efficiency programs that have been charged to ratepayers. It has been hard to ascertain that the promised benefits outweigh the costs that must be borne by ratepayers. We are doing a disservice to ratepayers if we approve any further energy efficiency implementation plans unless we know exactly what the true costs are.

I believe we need to look at possibly revising the rules, or some of the rules, to improve the energy efficiency process. We must explore any possibilities and all options. As utility regulators we must ensure that we are asking the ratepayers to pay for programs that are cost-effective and beneficial.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gary Pierce".

Commissioner Gary Pierce